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ANNUAL AUDITED REPORT

FORM X-17A-5
PART III

MAR 01 2002

SEC FILE NUMBER
8- 32409

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 09/01/01 AND ENDING 12/31/01
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:
U S Participations Ltd.

OFFICIAL USE ONLY

FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2370 York Road, Suite E-2

(No. and Street)

Jamison

(City)

PA

(State)

18929

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Thomas S. Lonergan

(215) 918-2180

(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

Sanville & Company

(Name - if individual, state last, first, middle name)

1514 Old York Road

(Address)

Abington

(City)

PA

(State)

19001

(Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant
☐ Public Accountant
☐ Accountant not resident in United States or any of its possessions.

PROCESSED

MAR 20 2002

FOR OFFICIAL USE ONLY

THOMSON
FINANCIAL


*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (3-91)

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OATH OR AFFIRMATION

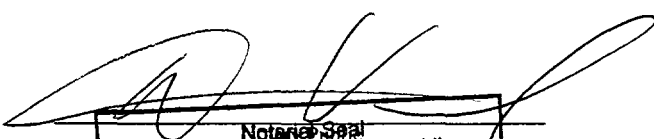
I, Thomas J. Lonergan, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of U S Participations Ltd., as of December 31, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



Signature

President

Title



Notary Seal
Diane Vandegrift, Notary Public
Abington Twp., Montgomery County
My Commission Expires Feb. 25, 2002
Member, Pennsylvania Association of Notaries

This report** contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- N/A ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- N/A* ☐ (m) A copy of the SIPC Supplemental Report.
- N/A ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditor's Report on Internal Accounting Control.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

*SIPC has suspended assessments based on net operating revenue, a SIPC Supplemental Report is not required.

ROBERT F. SANVILLE, CPA
MICHAEL T. BARANOWSKY, CPA

Sanville & Company
CERTIFIED PUBLIC ACCOUNTANTS

1514 OLD YORK ROAD
ABINGTON, PA 19001

(215) 884-8460
FAX (215) 884-8686

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

U S Participations Ltd.
Jamison, Pennsylvania

We have audited the accompanying statement of financial condition of U S Participations Ltd. as of December 31, 2001, and the related statements of income, changes in stockholders' equity, changes in liabilities subordinated to claims of general creditors, and cash flows for the period September 1, 2001 to December 31, 2001 that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of U S Participations Ltd. as of December 31, 2001, and the results of its operations and its cash flows for the period September 1, 2001 to December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in Schedules I and II is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abington, Pennsylvania
February 4, 2002

Sanville & Company
Certified Public Accountants

U S PARTICIPATIONS LTD.
Statement of Financial Condition
December 31, 2001

ASSETS

| | |
|------------------------------------|------------------|
| Cash and cash equivalents (Note 2) | \$ 48,460 |
| Prepaid expenses | <u>165</u> |
| Total assets | <u>\$ 48,625</u> |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | |
|---|------------------|
| Accounts payable and accrued expenses | \$ 3,207 |
| Common stock dividends payable | <u>16,080</u> |
| Total liabilities | <u>19,287</u> |
| Commitments and contingent liabilities | |
| Stockholders' Equity: | |
| Common stock, no par value, authorized - 3,000 shares, issued and outstanding - 1,340 shares | 26,355 |
| Retained earnings | <u>2,983</u> |
| Total stockholders' equity | <u>29,338</u> |
| Total liabilities and stockholders' equity | <u>\$ 48,625</u> |

The accompanying notes are an integral part of these financial statements.

U S PARTICIPATIONS LTD.
Statement of Income
For the Period September 1, 2001 to December 31, 2001

REVENUE

| | |
|--|---------------|
| Commissions on direct participation programs | \$ 15,800 |
| Interest | <u>848</u> |
| Total revenue | <u>16,648</u> |

EXPENSES

| | |
|--|---------------------------|
| Compensation of voting stockholder officer | 15,000 |
| Professional fees | 400 |
| Other | <u>4,720</u> |
| Total expenses | <u>20,120</u> |
| Income (loss) before income taxes | (3,472) |
| Provision for income taxes | <u>-</u> |
| Net income (loss) | <u><u>\$ (3,472)</u></u> |

The accompanying notes are an integral part of these financial statements.

U S PARTICIPATIONS LTD.
Statement of Changes in Stockholders' Equity
For the Period September 1, 2001 to December 31, 2001

| | <u>Common Stock Shares</u> | | <u>Common Stock Amount</u> | | <u>Retained Earnings</u> | | <u>Total Stockholder's Equity</u> |
|------------------------------|------------------------------------|----|------------------------------------|----|------------------------------|----|---|
| Balance at September 1, 2001 | 1,340 | \$ | 26,355 | \$ | 22,535 | \$ | 48,890 |
| Additional shares issued | - | | - | | - | | - |
| Common stock dividends | - | | - | | (16,080) | | (16,080) |
| Net income (loss) | - | | - | | (3,472) | | (3,472) |
| Balance at December 31, 2001 | <u>1,340</u> | \$ | <u>26,355</u> | \$ | <u>2,983</u> | \$ | <u>29,338</u> |

The accompanying notes are an integral part of these financial statements.

U S PARTICIPATIONS LTD.
Statement of Changes in Subordinated Borrowings
For the Period September 1, 2001 to December 31, 2001

| | |
|--|----------------------|
| Subordinated borrowings at September 1, 2001 | \$ -0- |
| Increases: | - |
| Decreases: | <u>-</u> |
| Subordinated borrowings at December 31, 2001 | <u><u>\$ -0-</u></u> |

The accompanying notes are an integral part of these financial statements.

U S PARTICIPATIONS LTD.
Statement of Cash Flows
For the Period September 1, 2001 to December 31, 2001

Cash flows from operating activities:

| | |
|-------------------|-------------|
| Net income (loss) | \$ (3,472) |
|-------------------|-------------|

Changes in assets and liabilities:

(Increase) decrease in assets:

| | |
|------------------|-------|
| Prepaid expenses | (11) |
|------------------|-------|

Increase (decrease) in liabilities:

| | |
|---------------------------------------|----------|
| Accounts payable and accrued expenses | (1,653) |
|---------------------------------------|----------|

| | |
|----------------------|----------|
| Income taxes payable | (2,400) |
|----------------------|----------|

| | |
|--------------------------------|---------------|
| Common stock dividends payable | <u>16,080</u> |
|--------------------------------|---------------|

| | |
|---|--------------|
| Net cash provided by operating activities | <u>8,544</u> |
|---|--------------|

Cash flows from investing activities:

| | |
|----------------------------------|--------|
| Maturing certificates of deposit | 37,086 |
|----------------------------------|--------|

| | |
|--------------------------------|-----------------|
| Dividends paid on common stock | <u>(16,080)</u> |
|--------------------------------|-----------------|

| | |
|---|---------------|
| Net cash provided by investing activities | <u>21,006</u> |
|---|---------------|

| | |
|----------------------|--------|
| Net increase in cash | 29,550 |
|----------------------|--------|

| | |
|-----------------------------|---------------|
| Cash at beginning of period | <u>18,910</u> |
|-----------------------------|---------------|

| | |
|-----------------------|-------------------------|
| Cash at end of period | <u><u>\$ 48,460</u></u> |
|-----------------------|-------------------------|

Supplemental disclosures of cash flow information

Cash paid during the period for:

| | |
|--------------|----------|
| Income taxes | \$ 4,981 |
|--------------|----------|

The accompanying notes are an integral part of these financial statements.

U S PARTICIPATIONS LTD.
Notes To Financial Statements
December 31, 2001

1. ORGANIZATION

U S Participations Ltd. ("the Company") is a registered securities broker/dealer with the Securities and Exchange Commission. The Company has agreed to limit its business to the distribution of direct participation programs. The Company, like other securities firms, is directly affected by general economic and market conditions. The Company is also subject to the risks of the real estate market because its business is limited to that industry.

2. SIGNIFICANT ACCOUNTING POLICIES

Securities transactions are recorded on a settlement date basis, generally when the transaction closes.

Income and expenses are recognized on the accrual basis.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates and assumptions.

Cash equivalents are defined as highly liquid investments not held for resale, with a maturity of three months or less when purchased.

3. INCOME TAXES

The Company incurred no federal or state income taxes for the period September 1, 2001 to December 31, 2001. No differences exist in the computation of income taxes between the financial statements and the income tax returns. Effective January 1, 2002 the Company has elected to be taxed as a Subchapter S corporation under the Internal Revenue Code. Under Subchapter S net income or loss of the Company is passed-through to its shareholders.

4. NET CAPITAL REQUIREMENTS

Pursuant to the net capital provisions of the Securities and Exchange Commission, the Company is required to maintain a minimum net capital as defined under such provisions. Net capital and the related net capital ratio may fluctuate on a daily basis. At December 31, 2001, the Company had net capital and net capital requirements of \$29,173 and \$5,000, respectively. At December 31, 2001, the Company's net capital ratio was .66 to 1.

U S PARTICIPATIONS LTD.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2001

COMPUTATION OF NET CAPITAL

| | |
|--|-------------------------|
| Total stockholders' equity | \$ 29,338 |
| Deduct stockholders' equity not allowable for Net Capital: | <u>-</u> |
| Total stockholders' equity qualified for Net Capital | <u>29,338</u> |
| Deductions and/or charges: | |
| Non-allowable assets: | |
| Prepaid expenses and other assets | <u>165</u> |
| Total non-allowable assets | <u>165</u> |
| Net Capital | <u><u>\$ 29,173</u></u> |

COMPUTATION OF AGGREGATE INDEBTEDNESS

Total aggregate indebtedness liabilities from Statement of Financial Condition

| | |
|--|-------------------------|
| Accounts payable and accrued expenses | \$ 3,207 |
| Common stock dividends payable | <u>16,080</u> |
| Total aggregate indebtedness | <u><u>\$ 19,287</u></u> |
| Percentage of aggregate indebtedness to Net Capital | 66% |
| Percentage of debt to debt-equity total computed in accordance with Rule 15c3-1(d) | 0% |

U S PARTICIPATIONS LTD.
Computation of Net Capital Under Rule 15c3-1
of the Securities and Exchange Commission
December 31, 2001

COMPUTATION OF BASIC NET CAPITAL REQUIREMENT

| | |
|---|-----------|
| Minimum Net Capital (6 2/3% of \$19,287) | \$ 1,286 |
| Minimum dollar Net Capital requirement of reporting broker or dealer and minimum Net Capital requirement | \$ 5,000 |
| Net Capital requirement | \$ 5,000 |
| Excess Net Capital | \$ 24,173 |
| Excess Net Capital at 1000% | \$ 27,244 |

RECONCILIATION BETWEEN COMPUTATION OF ANNUAL AUDIT REPORT
AND COMPUTATION IN COMPANY'S UNAUDITED FOCUS REPORT

Computation of Net Capital Under Rule 15c3-1

No material difference exists between the broker's most recent, unaudited Part IIA
filing and the Annual Audit Report.

U S PARTICIPATIONS LTD.
Computation for Determination of the
Reserve Requirements Under Rule 15c3-3
of the Securities and Exchange Commission
December 31, 2001

The Company is exempt from the provisions of Rule 15c3-3 in accordance with Section (k) (2) (i).

RECONCILIATION BETWEEN COMPUTATION OF ANNUAL AUDIT REPORT
AND COMPUTATION IN COMPANY'S UNAUDITED FOCUS REPORT

Computation for Determination of Reserve Requirements Under
Exhibit A of Rule 15c3-3

No material difference exists between the broker's most recent, unaudited, Part IIA filing and the Annual Audit Report.

Sanville & Company
CERTIFIED PUBLIC ACCOUNTANTS

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ABINGTON, PA 19001

(215) 884-8460
FAX (215) 884-8686

MEMBERS OF
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
PENNSYLVANIA INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
U S Participations Ltd.

In planning and performing our audit of the financial statements and supplemental schedules of U S Participations Ltd. (the Company) for the period ended December 31, 2001, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC) we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

- 1) Making quarterly securities examinations, counts, verifications, and comparisons.
- 2) Recordation of differences required by Rule 17a-13.
- 3) Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining an internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. Our consideration of internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the NASD Regulation, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Abington, Pennsylvania
February 4, 2002


Certified Public Accountants

U S PARTICIPATIONS LTD.
Financial Statements
and
Supplemental Schedules Pursuant
to SEC Rule 17a-5

December 31, 2001

TABLE OF CONTENTS

| | |
|---|-----|
| ANNUAL AUDITED FOCUS REPORT FACING PAGE | 1-2 |
|---|-----|

| | |
|---|---|
| INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS | 3 |
|---|---|

FINANCIAL STATEMENTS

| | |
|--|---|
| Statement of Financial Condition..... | 4 |
| Statement of Income | 5 |
| Statement of Changes in Stockholders' Equity | 6 |
| Statement of Changes in Subordinated Borrowings..... | 7 |
| Statement of Cash Flows | 8 |
| Notes to Financial Statements | 9 |

SUPPLEMENTARY INFORMATION

| | |
|---|-------|
| Schedule I – Computation of Net Capital Under Rule 15c3-1 of the Securities and Exchange Commission..... | 10-11 |
| Schedule II – Computation for Determination of the Reserve Requirements Under Rule 15c3-3 of the Securities and Exchange Commission..... | 12 |
| Independent Auditor's Report on Internal Control | 13-14 |